



IN THE
SUPREME COURT OF THE UNITED STATES.

No.

October Term, 1940.

UNITED DRUG COMPANY,
Defendant-Petitioner,
v.

OBEAR-NESTER GLASS COMPANY,
Plaintiff-Respondent.

**BRIEF FOR PETITIONER IN SUPPORT OF
PETITION FOR WRIT OF CERTIORARI.**

TO THE HONORABLE, THE CHIEF JUSTICE AND
ASSOCIATE JUSTICES OF THE SUPREME
COURT OF THE UNITED STATES:

OPINIONS OF THE COURTS BELOW.

The opinion of the Circuit Court of Appeals for the Eighth Circuit on the appeal in the case at bar, is reported at ... F. (2d) ..., and 45 U. S. P. Q. 510, and appears also at R. 108-113.

The District Court filed no opinion. Said Court merely adopted the findings of fact and conclusions of law as proposed by respondent. See R. 5, paragraph 6. Said findings and conclusions appear at R. 5-7, and are apparently unreported.

GROUND ON WHICH THE JURISDICTION OF THIS COURT IS INVOKED.

The grounds on which the jurisdiction of this Court is invoked are:

1) This suit was instituted under U. S. Code, Title 15, Section 96 (R. 2, paragraph 3). Said section is reproduced herein at page 13.

2) U. S. Code, Title 15, Section 98, reproduced herein at page 14, provides for granting of writs of certiorari by this Court for review of such suits, in the same manner as provided by U. S. Code, Title 28, Section 347, reproduced herein at page 14.

The date of the judgment sought to be reviewed is May 13, 1940 (R. 108).

The judgment was rendered in a suit in equity brought under the Trade-Mark Statutes alleging infringement of a trade-mark registered in the United States Patent Office (U. S. Code, Title 15, Section 96). R. 2, paragraph 3.

Jurisdiction of said Circuit Court of Appeals existed because the decree below granted an injunction. R. 7-8, Section 3; U. S. Code, Title 28, Section 227, reproduced herein at page 14.

Said judgment of the Circuit Court of Appeals was such as to bring the case within the jurisdictional provisions relied upon, particularly U. S. Code, Title 28, Section 347, reproduced herein at page 14.

Cases sustaining jurisdiction are:

Hanover Star Milling Company v. Metcalf, 240 U. S. 403.

United Drug Co. v. Theodore Rectanus Co., 248 U. S. 90.

Prestonettes, Inc. v. Coty, 264 U. S. 359.

STATEMENT OF THE CASE.

The facts are sufficiently stated in the petition.

STATUTES INVOLVED.

The statute under which this suit was filed is U. S. Code, Title 15, Section 96, of which the pertinent portion is as follows:

“Any person who shall, without the consent of the owner thereof, **reproduce, counterfeit, copy, or colorably imitate*** any such trade-mark and affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduction, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner thereof;”

The jurisdiction of the District Court was based on U. S. Code, Title 15, Section 97, which reads as follows:

“The district and territorial courts of the United States and the district court of the United States for the District of Columbia shall have original jurisdiction, and the circuit courts of appeal, of the United States and the United States Court of Appeals for the District of Columbia shall have appellate jurisdiction of all suits at law or in equity respecting

*In quotations throughout this brief, emphasis is ours unless otherwise noted.

trade-marks registered in accordance with the provisions of this subdivision of this chapter, arising thereunder, without regard to the amount in controversy.”

The jurisdiction of this Court is based upon U. S. Code, Title 15, Section 98, which reads as follows:

“Writs of certiorari may be granted by the Supreme Court of the United States for the review of cases arising under this subdivision of this chapter in the same manner as provided by section 347 of Title 28, Judicial Code and Judiciary.”

Said Title 28, Section 347, reads as follows:

“(a) In any case, civil or criminal, in a circuit court of appeals, or in the Court of Appeals of the District of Columbia, it shall be competent for the Supreme Court of the United States, upon the petition of any party thereto, whether Government or other litigant, to require by certiorari, either before or after a judgment or decree by such lower court, that the cause be certified to the Supreme Court for determination by it with the same power and authority, and with like effect, as if the cause had been brought there by unrestricted writ of error or appeal. * * *”

The jurisdiction of the Circuit Court of Appeals was based upon U. S. Code, Title 28, Section 227, which reads as follows:

“Where, upon a hearing in a district court, or by a judge thereof in vacation, an injunction is granted,”
* * * “by an interlocutory order or decree,” * * *
“an appeal may be taken from such interlocutory order or decree to the circuit court of appeals; and sections 346 and 347 of this title shall apply to such cases in the circuit courts of appeals as to other cases therein.”

Said Section 347 has already been quoted above.

SPECIFICATION OF ERRORS.

The errors which petitioner will urge if the writ of certiorari is allowed are as follows:

1. The Court of Appeals for the Eighth Circuit erred in holding that confusion in trade was immaterial and that trade-mark infringement does not require that the goods sold by petitioner shall be confused in the minds of purchasers with the goods of respondent or that there is likelihood of such confusion.

2. The Court of Appeals for the Eighth Circuit erred in holding in effect that respondent was entitled to a monopoly of the word **REX** and all words similar thereto for all goods whatsoever which may be sold in bottles, although respondent has applied its mark only to bottles per se.

3. The Court of Appeals for the Eighth Circuit erred in holding that the right by petitioner to sell to **Rexall Stores** would necessarily include the right to sell **The Rexall Store** prescription bottles to others.

4. The Court of Appeals for the Eighth Circuit erred in holding that petitioner uses its trade-mark **The Rexall Store** as a trade-mark for prescription bottles per se and that the purchasers thereof, namely, **Rexall Stores**, would so understand it.

5. The Court of Appeals for the Eighth Circuit erred in holding that petitioner has infringed respondent's trade-mark although there were no sales of petitioner's products as respondent's products and in fact the only purchasers of petitioner's products clearly understood that they were getting bottles from petitioner, and not from respondent.

6. The Court of Appeals for the Eighth Circuit erred in holding that there is likelihood of confusion in the minds of purchasers between the prescription bottles sold by respondent and those sold by petitioner, the latter bearing the petitioner's trade-mark "**The Rexall Store**" and being admittedly sold **only** to **Rexall Stores**.

7. The Court of Appeals for the Eighth Circuit erred in failing to reverse the decree of the District Court.

8. The Court of Appeals for the Eighth Circuit erred in not dismissing the bill of complaint for want of equity.

SUMMARY OF ARGUMENT.

The points of the argument herein below follow the reasons relied upon for the allowance of the writ, as outlined in pages 7 and 8 of the annexed petition, and are briefly:

Argument Point 1:

Registration of a trade-mark in the United States Patent Office confers no substantive rights upon the registrant.

Argument Point 2:

The essential factor in all instances of trade-mark infringement and other unfair competition is the sale of goods by a defendant by making the public believe that they are obtaining goods of the plaintiff.

Argument Point 3:

The petitioner in this proceeding has not sold his goods as being goods of the respondent. Such sales are limited strictly to **Rexall Stores**, as indeed they must be, and both the proprietors of such stores and the purchasing public who have prescriptions filled there clearly understand that the prescription bottles are marked **The Rexall Store** to show that the prescription came from a **Rexall Store**. That this is true has been admitted by the Vice-President of respondent.

Argument Point 4:

The decision of this Court in the Hanover case is the law, and has in fact been consistently followed and applied in similar cases.

ARGUMENT OF POINT 1:

Registration Confers No Substantive Rights.

It is fundamental to notice at the outset that the language of the statutes quoted hereinabove has been interpreted by this Court as conferring no substantive rights upon one who registers his trade-mark in the United States Patent Office under the applicable provisions of Federal Law. This is true because as was pointed out by Mr. Justice Sutherland in *American Steel Foundries v. Robertson*, 269 U. S. 372, 381, 46 S. Ct. 160, 162, Congress "has been given no power to legislate upon the substantive law of trade-marks". This was reiterated by Mr. Chief Justice Hughes in *American Trading Co. v. H. E. Heacock Co.*, 285 U. S. 247, 256, 52 S. Ct. 387, 389, saying "the Congress, by virtue of the commerce clause, has no power to legislate upon the substantive law of trade-marks" citing *Trade-Mark Cases*, 100 U. S. 82, 25 L. Ed. 550, *United Drug Co. v. Rectanus Co.*, 248 U. S. 90, 98; 39 S. Ct. 48; 63 L. Ed. 141; and *American Foundries v. Robertson*, supra.

Accordingly, the principles which govern actions for trade-mark infringement and for unfair competition at common law are applicable to the present situation, even though respondent has registered its trade-mark in the United States Patent Office.

ARGUMENT OF POINT 2:

There Is No Infringement in the Absence of Confusion.

The essential factor in all suits for trade-mark infringement and for unfair competition cases without trade-mark infringement is the sale of goods by a defendant by making the purchasers believe that they are obtaining goods from the plaintiff. This fundamental principle established by this Court in the *Hanover* case, and subsequently reiterated whenever the point was again pre-

sented, was completely ignored by the Court of Appeals for the Eighth Circuit.

Mr. Justice Pitney in the Hanover case above referred to, enunciated the doctrine in the following terms (240 U. S. 403, 412):

“The redress that is accorded in trade-mark cases is based upon the party’s right to be protected in the good will of a trade or business. The primary and proper function of a trademark is to identify the origin or ownership of the article to which it is affixed. Where a party has been in the habit of labeling his goods with a distinctive mark, so that purchasers recognize goods thus marked as being of his production, others are debarred from applying the same mark to goods of the same description, because to do so **would in effect represent their goods to be of his production** and would tend to deprive him of the profit he might make through the sale of the goods which the purchaser intended to buy. Courts afford redress or relief upon the ground that a party has a valuable interest in the good will of his trade or business, and in the trademarks adopted to maintain and extend it. **The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another.**

Delaware & H. Canal Co. v. Clark, 13 Wall. 311, 322, 20 L. ed. 581, 583;

McLean v. Fleming, 96 U. S. 245, 251, 24 L. ed. 828, 830;

Amoskeag Mfg. Co. v. Trainer, 101 U. S. 51, 53, 25 L. ed. 993, 994;

Menendez v. Holt, 128 U. S. 514, 520, 32 L. ed. 526, 527, 9 Sup. Ct. Rep. 143;

Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U. S. 537, 546, 34 L. ed. 997, 1003, 11 Sup. Ct. Rep. 396.

“This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied

with trademark infringement. In fact, the common law of trademarks is but a part of the broader law of unfair competition.

- Elgin Nat. Watch Co. v. Illinois Watch Case Co.
179 U. S. 665, 674, 45 L. ed. 365, 379, 21 Sup.
Ct. Rep. 270;
G. & C. Merriam Co. v. Saalfeld, 117 C. C. A. 245,
198 Fed. 369, 372;
Cohen v. Nagle, 190 Mass. 4, 8, 15, 2 L. R. A.
(N. S.) 964, 76 N. E. 276, 5 Ann. Cas. 553,
555, 558.

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“In short, the trademark is treated as **merely a protection for the good will**, and not the subject of property except in connection with an existing business. The same rule prevails generally in this country, and is recognized in the decisions of this court already cited. See also Apollinaris Co. v. Scherer, 23 Blatchf. 459, 27 Fed. 18, 20; Levy v. Waitt, 25 L. R. A. 190, 10 C. C. A. 227, 21 U. S. App. 394, 61 Fed. 1008, 1011; MacMahan Pharmacal Co. v. Denver Chemical Mfg. Co. 51 C. C. A. 302, 113 Fed. 468, 471, 475; Congress & E. Spring Co. v. High Rock Congress Spring Co., 57 Barb. 526, 551; Weston v. Ketcham, 51 How. Pr. 455, 456; Candee v. Deere, 54 Ill. 439, 457; Avery v. Meikle, 81 Ky. 73, 86.”

In *United Drug Co. v. Theodore Rectanus Co.*, 248 U. S. 90; 39 S. Ct. 48, this Court was confronted with an analogous situation. In that decision, Mr. Justice Pitney again spoke for the Court and reiterated the doctrine in the following terms (248 U. S. 90, 97):

“The asserted doctrine is based upon the fundamental error of supposing that a trade-mark right is a

right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has little or no analogy. *Canal Co. v. Clark*, 13 Wall. 311, 322, 20 L. Ed. 581; *McLean v. Fleming*, 96 U. S. 245, 254, 24 L. Ed. 828. There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. **The law of trade-marks is but a part of the broader law of unfair competition**; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will **against the sale of another's product as his**; and it is not the subject of property except in connection with an existing business. *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 412-414, 36 Sup. Ct. 357, 60 L. Ed. 713.

"The owner of a trade-mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly. See *United States v. Bell Telephone Co.*, 167 U. S. 224, 250, 17 Sup. Ct. 809, 42 L. Ed. 144; *Bement v. National Harrow Co.*, 186 U. S. 70, 90, 22 Sup. Ct. 747, 46 L. Ed. 1058; *Paper Bag Patent Case*, 210 U. S. 405, 424, 28 Sup. Ct. 748, 52 L. Ed. 1122.

"In truth, a trade-mark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol—a commercial signature—upon the merchandise or the package in which it is sold."

Again in the case of *Prestonettes, Inc., v. Coty*, 264 U. S. 359; 44 S. Ct. 350, this Court was again called upon to pass upon the same point. Mr. Justice Holmes expressed it in the following manner (264 U. S. 359, 368):

"Then what new rights does the trade-mark confer? It does not confer a right to prohibit the use of the word or words. It is not a copyright. The argument

drawn from the language of the Trade-Mark Act does not seem to us to need discussion. A trade-mark **only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his.** United Drug Co. v. Theodore Rectanus Co., 248 U. S. 90, 97, 39 Sup. Ct. 48, 63 L. Ed. 141. There is nothing to the contrary in A. Bourjois & Co. v. Katzel, 260 U. S. 689, 43 Sup. Ct. 244, 67 L. Ed. 464, 26 A. L. R. 567. There the trade-mark protected indicated that the goods came from the plaintiff in the United States, although not made by it, and therefore could not be put upon other goods of the same make coming from abroad. **When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.** Canal Co. v. Clark, 13 Wall. 311, 327, 20 L. Ed. 581."

ARGUMENT OF POINT 3:

In the Cause at Bar, Admittedly No Confusion Exists.

The record in this case may be searched from one end to the other without discovering even the vestige of any proof that any purchaser bought petitioner's goods believing them to be respondent's or that there is any likelihood of such purchases. This essential factor required in the decisions of this Court above referred to (Hanover Star Milling Co. v. Metcalf, United Drug Co. v. Rectanus and Prestonettes, Inc. v. Coty) is totally absent from the record in this case.

As has been pointed out above, petitioner is a manufacturing organization engaged principally in making products for sale by Rexall Drug Stores. These retail drug stores are of two types: namely, those owned and operated by subsidiary corporations of defendant which make up a relatively small portion of the total and those not owned by defendant but with which defendant maintains contractual relations. These latter far out-

number the stores owned by subsidiaries. Both categories of stores are individually and collectively designated and advertised as "**The Rexall Stores.**" These **Rexall Stores** are now located in all forty-eight states of the United States, in the District of Columbia, in the British Isles, in Canada, in Newfoundland, Bermuda, Panama, Cuba, Porto Rico, Haiti, Dutch West Indies, India, Egypt, the Union of South Africa, Dominican Republic, Hawaii and the Canal Zone. R. 13, paragraphs 18-19.

Petitioner has registered its trade-marks **Rex, Rexall** and **The Rexall Store**, employed by it and its retail associates, many times in the United States Patent Office for various drug store merchandise. These trade-mark registrations appear in the record (pp. 19-87). For many years, as recited at R. 89, fol. 61, petitioner had been using the trade-marks **Rex, Rexall** and **The Rexall Store** in the sale of drug store merchandise. Petitioner has the sole right to use **Rexall** as a trade-mark in the drug store merchandise field.

As has been pointed out above, it has been decided by this Court that one of the essential requisites for a suit to recover for trade-mark infringement is proof of the likelihood that the public will confuse the defendant's product with the plaintiff's. However, the present record presents no evidence whatever of any such confusion in the mind of the public. On the contrary, it is clear from the present record that the purchasers of petitioner's product know very well from what source they are obtaining it. **They know that they are buying prescription bottles from petitioner and not from respondent.**

The marking "**The Rexall Store**" is simply a convenience to these purchasers (**Rexall Store** proprietors) in designating to the public that the **contents** of the bottles came from a **Rexall Store**. Respondent's vice-president admitted the truth of this. R. 93, paragraph 34.

It is not clear what group of purchasers the respondent contends is confused by petitioner's sales of bottles imprinted "**The Rexall Store.**" The sales of empty bottles are strictly limited to proprietors of **Rexall Stores**. Since the respondent does not see fit to enlighten us on this point, it is necessary to discuss both groups of purchasers, namely, the purchaser of a bottled prescription at retail and the proprietor of a **Rexall Store**.

Taking first the retail purchaser of prescriptions, it is inconceivable that he will be deceived in the purchase of prescription bottles marked **The Rexall Store**, because he is not buying a prescription bottle as such. He is buying a prescription. Since it is liquid, the contents are delivered to him in a bottle. He is not interested in the origin of that bottle any more than he is interested in the origin of the paper label on the front or of the stopper. Moreover, he obtained the prescription at a **Rexall Store**. The words "**The Rexall Store**" appearing on the back of the bottle therefore mean to him only that the contents thereof were obtained, as in fact they were, from a **Rexall Store**.

Likewise, it is submitted that it is obvious from the present record that the only other kind of purchaser, namely, the proprietor of a **Rexall Store**, would be in no way confused as to the source of the bottles which he was purchasing. Petitioner, as was stated above, limits its sale strictly to **Rexall Stores**. The purchaser of these bottles is therefore the operator of a **Rexall Store**. He is of course familiar with the trade-marks under which he sells the goods supplied by petitioner. The only logical conclusion, therefore, is that the Rexall druggist will regard the words "**The Rexall Store**" on petitioner's bottles as a convenience signifying **only** that the bottles are to be used by **Rexall Stores** in dispensing prescriptions. He inevitably regards this phrase appearing upon the back of the bottle as advertising his own drug (not bottle) business.

Not only is there no evidence in the record that there is likelihood of confusion in the minds of purchasers as to the origin of petitioner's goods, but respondent's Vice-President, Nester, specifically admitted that there is no such likelihood. Upon cross-examination Nester stated that the words "**The Rexall Store**" appearing on the back of petitioner's bottles mean that the bottle is to contain something sold by a **Rexall Store**. R. 93, paragraph 34.

In order to surmount this deficiency in the record as to the existence of any confusion, the Court of Appeals for the Eighth Circuit stated in its opinion:

"It is said that there cannot be confusion because there are only two groups of purchasers of defendant's prescription bottles. They are the operators of Rexall drug stores and the purchasers of prescriptions. The fallacy of this contention is that if defendant has a right to sell to Rexall drug stores it also has a right to sell to all other drug stores." R. 112, lines 11-5 from bottom.

The fallacy in this last-quoted portion of the Court's opinion is at once apparent. **Petitioner has never sold to any one other than proprietors of Rexall Drug Stores.** It is only such sales by the respondent that are at issue in this suit. **Petitioner has never threatened to sell to drug stores other than Rexall Stores** and indeed from the foregoing it is apparent that it would be fatal to petitioner's business to do so.

It is clear from this record that petitioner has no intention of selling them to others, since to do so would destroy or at least seriously impair the value of petitioner's trade-marks **Rex, Rexall** and **The Rexall Store** used on drug store merchandise.

Ignoring as it does, the essential requirement laid down

by this Court in *Hanover Star Milling Company v. Metcalf* and reiterated in *United Drug Co. v. Theodore Rectanus Co.* and *Prestonettes, Inc. v. Coty*, the decision of the Court of Appeals for the Eighth Circuit is clearly erroneous and in conflict with the authoritative decisions of this Court and should for that reason be reviewed and reversed by this Court.

ARGUMENT OF POINT 4:

This Court's Hanover Decision Is the Law, and Requires Confusion as a Prerequisite to Infringement.

The decision of this Court in the *Hanover* case is the law and has in fact been consistently followed and applied in similar cases.

No decision of this Court subsequent to the *Hanover* case, and no statute subsequent to that case, has altered or impaired the law so clearly set forth by this Court in the *Hanover* case, namely, that the right of an American citizen, whether individual or corporate, to engage in lawful business will not be abridged or enjoined merely on a speculative theory of possible future acts; but that such an injunction can be premised only on clear proof that the acts complained of are a trespass and a source of actual confusion to the public. Lacking such evidence, the complaint must needs be dismissed.

This Court in the *Rectanus* and *Coty* cases has reiterated the above salutary law.

We will not lengthen this brief by citation of the many decisions of inferior courts which have adopted the above law of the land.

CONCLUSION.

In conclusion it is respectfully submitted that the decision and judgment of the Court of Appeals for the Eighth Circuit should be reviewed (and reversed) by this Court,

and to that end, a writ of certiorari should be granted by this Court; for the reason that said decision and judgment of the Circuit Court of Appeals for the Eighth Circuit is in direct conflict with the decisions of this Court on the precise point of law involved in *Hanover Star Milling Company v. Metcalf*, 240 U. S. 403, *United Drug Co. v. Rectanus*, 248 U. S. 90 and *Prestonettes, Inc., v. Coty*, 264 U. S. 359.

Respectfully submitted,

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